

## Message Text

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PAGE 01 PEKING 00353 240937Z  
ACTION ITC-01

INFO OCT-01 EA-07 ISO-00 EB-08 COME-00 TRSE-00 OMB-01  
CIAE-00 INR-07 NSAE-00 STR-04 EUR-12 /041 W  
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R 240847Z FEB 77  
FM USLO PEKING  
TO SECSTATE WASHDC 7286  
INFO AMEMBASSY BERN  
AMEMBASSY TOKYO  
AMCONSUL HONG KONG

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E.O. 11652: N/A  
TAGS: ETRD, CH, SW, JA, EINT

REF: 76 STATE 263360, STATE 038009

1. SUMMARY. CHINA PROBABLY PRODUCES ABOUT 11 MILLION  
WATCHES A YEAR AND USUALLY IMPORTS ANOTHER 1 MILLION.  
THE MAJORITY OF BOTH IMPORTED AND DOMESTICALLY-MANUFACTURED  
WATCHES ARE LOW-VALUE TYPES. NO ELECTRONIC WATCHES ARE  
PRODUCED. END SUMMARY.

2. THE FOLLOWING INFORMATION ON PRC WATCH  
INDUSTRY WAS OBTAINED FROM THE SWISS EMBASSY,  
WHICH HAS MAINTAINED CONTACT WITH CHINA IN THIS FIELD OVER  
MANY YEARS. ALTHOUGH MATERIAL CONTAINED IN THIS MESSAGE  
NEED NOT BE TREATED AS CONFIDENTIAL, NONE SHOULD BE  
ATTRIBUTED TO SWISS SOURCES.

3. PRC PRODUCTION OF WATCHES IN 1975 WAS AN ESTIMATED  
9 TO 10 MILLION PIECES, PROBABLY INCREASING TO ABOUT 11  
MILLION PIECES IN 1976. ALTHOUGH INCREASINGLY WELL-MADE  
IN RECENT YEARS, MOST OF THESE WATCHES ARE LOW-VALUE  
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(ABOUT \$15) MECHANICAL TIMEPIECES SOLD AT A STEEP MARKUP.  
A VISITING GROUP WAS TOLD ONLY 10,000 AUTOMATIC WATCHES  
WERE PRODUCED ANNUALLY.

4. NO ELECTRONIC WATCHES ARE NOW PRODUCED IN CHINA. IN  
A JANUARY 21 SPEECH IN BIEL, SWITZERLAND, A PRC  
WATCH INDUSTRY REPRESENTATIVE SAID THAT SIMPLE MECHANICAL

WATCHES WOULD DOMINATE THE CHINESE DOMESTIC MARKET FOR MANY YEARS TO COME. THE CHINESE CONSUMER, HE SAID, HAD NO NEED FOR CALENDAR WATCHES, AND ELECTRONIC WATCHES WOULD POSE INSUPERABLE DIFFICULTIES FOR RURAL REPAIR FACILITIES. OFFERS BY A SWISS MANUFACTURER TO CONDUCT TECHNICAL SYMPOSIA ON ELECTRONIC WATCH-MAKING ELICITED NO RESPONSE.

5. CHINESE OFFICIALS TOLD SWISS THAT 71 WATCH MANUFACTURING PLANTS EXISTED IN CHINA. ALL ARE HIGHLY LABOR INTENSIVE WITH LITTLE AUTOMATION. TYPICAL WAGE RATES RANGE FROM Y30 - Y120 PER MONTH (\$15 - \$60), A FIGURE WHICH DOES NOT INCLUDE THE EXTENSIVE SOCIAL SERVICES, SUBSIDIZED HOUSING AND BASIC FOODSTUFFS PROVIDED CHINESE WORKERS. FROM 20 - 30 PERCENT OF MACHINES USED IN WATCH MANUFACTURE ARE SWISS. IN 1975 THE PRC BOUGHT 10 MILLION SWISS FR. OF THESE MACHINES, AND ARE NOW NEGOTIATING FOR ADDITIONAL PURCHASES.

6. IMPORTANT PLANTS INCLUDE THE HONG CH'I WATCH PLANT IN SIAN, WHICH PRODUCED 550,000 WATCHES IN 1976 WITH A WORK FORCE OF 1600, AND THE TUNG FANG WATCH FACTORY IN TIENTSIN, WHICH PRODUCED 1 MILLION WATCHES IN 1975 WITH 2000 EMPLOYEES. A SMALL PART OF THIS PLANT'S PRODUCTION IS EXPORTED AS "SEAGULL" BRAND WATCHES. THE PEKING WATCH FACTORY IS DESCRIBED AS ONE OF THE MOST ADVANCED IN CHINA AND THE THIRD LARGEST, MANUFACTURING 1.5 MILLION PIECES A YEAR. THESE INCLUDE SOME 17-RUBY WATCHES AND SOME 40-RUBY AUTOMATIC WATCHES. LIMITED OFFICIAL USE

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7. IMPORT AND EXPORT SALE ARE HANDLED BY THE CHINA NATIONAL LIGHT INDUSTRY IMPORT AND EXPORT CORPORATION. CHINA IN RECENT YEARS USUALLY HAS IMPORTED LARGE NUMBERS OF SWISS AND JAPANESE WATCHES, IMPORTING THEM AT \$20 PER PIECE AND SELLING THEM DOMESTICALLY AT \$120. SOME \$20 MILLION WORTH OF SWISS WATCHES WERE IMPORTED IN 1975. IN 1976, IN LINE WITH THE GENRAL CUTBACK IN IMPORTS, NONE WERE IMPORTED.

8. FEW CHINESE WATCHES ARE EXPORTED, IN CONTRAST TO PRC-MADE LOW-VALUE ALARM CLOCKS, WHICH ARE MAKING INROADS IN THE EUROPEAN MARKET. CHINA DECLINED TO EXHIBIT AT A WATCH FAIR IN BASLE THIS SPRING, SAYING ITS PRODUCTS WERE NOT UP TO EXPORT STANDARDS. A RARE EXPORT SALE WAS THE RECENT PURCHASE BY THE SEIKO WATCH CO. OF 125,000 CHINESE WATCHES, WHICH THE SWISS VIEW AS A "GOODWILL" GESTURE BY THE JAPANESE FIRM, AIMED AT INCREASING FUTURE SALES TO CHINA.

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## Message Attributes

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**Channel Indicators:** n/a  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
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